

Message Text

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PAGE 01 TAIPEI 03397 310437Z

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C O N F I D E N T I A L TAIPEI 3397

E.O. 11652: GDS

TAGS: BPRO, TW

SUBJECT: GENERAL MOTORS STILL TRYING: NEW PLAN FOR
AN ASSEMBLY PLANT

1. SUMMARY: GENERAL MOTORS IS STILL TRYING TO ESTABLISH AN ASSEMBLY OPERATION IN ROC. THIS TIME, WITH ENCOURAGEMENT FROM ECONOMIC'S MINISTRY, GM WILL SHORTLY PRESENT PROPOSAL FOR WHOLLY-OWNED SUBSIDIARY. "CARROT" DANGLED BEFORE GROC WILL BE \$50 MILLION STAMPING PLANT WHICH IS CONTINGENT ON A GOING-ASSEMBLY OPERATION. END SUMMARY.

2. KEN BUELL, PROJECT MANAGER, PLANNING & DEVELOPMENT, GENERAL MOTORS OVERSEAS, INFORMED COMMATT THAT GENERAL MOTORS IS NOW TAKING A NEW APPROACH IN THEIR EFFORTS TO ESTABLISH AN ASSEMBLY/MANUFACTURING OPERATION IN THE REPUBLIC OF CHINA. AT SUGGESTION AND ENCOURAGEMENT OF VICE MINISTER OF ECONOMIC AFFAIRS "TO GO AHEAD ON THEIR OWN", GM WILL PRESENT A PROPOSAL IN NEAR FUTURE FOR THE ESTABLISHMENT OF WHOLLY-OWNED SUBSIDIARY. THE PROPOSAL WILL PROVIDE FOR A "HOLD BACK" OF 30 PERCENT OF A TOTAL EQUITY, ESTIMATED AT AROUND \$2.5 TO 3 MILLION, FOR A FUTURE LOCAL PARTNER(S). VICE MINISTER INDICATED HIS CONFIDENCE THAT ADMINISTRATIVE REGULATIONS, WHICH APPARENTLY IN THE PAST PRECLUDED WHOLLY-OWNED FOREIGN AUTOMOTIVE ASSEMBLY OPERATIONS, CAN BE AMENDED AND OVERCOME.

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PAGE 02 TAIPEI 03397 310437Z

EM ACCORDING TO BUELL, AFTER LOOKING INTO A NUMBER OF POSSIBLE LOCATIONS, TAIWAN HAS EMERGED AS THE FRONT-RUNNER FOR THE LOCATION OF \$50 MILLION STAMPING PLANT EVENTUALLY TO SUPPLY GM REQUIREMENTS THROUGHOUT THE FAR EAST, INCLUDING JAPAN. PLANT EXPANSION COULD ULTIMATELY RESULT IN AN INVESTMENT OF AROUND \$150 MILLION.

4. IN DISCUSSIONS WITH GROC OFFICIALS, GM PROBABLY WILL EMPHASIZE THAT THE STAMPING PLANT MOST LIKELY WILL BE CONTINGENT ON THE ESTABLISHMENT OF A LOCAL ASSEMBLY OPERATION TO UTILIZE AT LEAST A PORTION OF PRODUCTION.

5. GM STILL PLANS TO TURN OUT LIGHT TRUCKS, INCLUDING THEIR "ASIA TRUCK," INITIALLY AND TO PRODUCE PASSENGER CARS SUBSEQUENTLY.

6. GM HAS HEARD THAT CHINA MOTORS, WITH WHOM THEY FORMERLY TRIED TO NEGOTIATE A JOINT VENTURE, IS ON THE VERGE OF BANKRUPTCY. SHOULD CHINA MOTORS DECLARE BANKRUPTCY, GM IS PREPARED TO BUY OUT THE BANKRUPT FIRM WITH A GENEROUS OFFER, WHICH HOPEFULLY WILL SATISFY THE MAJOR SHAREHOLDER WHO WAS CHIEF STUMBLING BLOCK IN PREVIOUS NEGOTIATIONS. ADVANTAGES IN THIS WOULD BE THAT GM COULD TAKE OVER AN EXISTING PLANT SITE AND EQUIPMENT THEREBY SAVING AT LEAST A YEAR OR MORE IN STARTUP PRODUCTION.

7. BUELL REQUESTS FOREGOING BE KEPT IN STRICT CONFIDENCE.
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